

SPECIAL HANDLING

LAN-63-044

13 March 1963

MEMORANDUM FOR THE RECORD

SUBJECT: Negotiations with ITEK Corporation for Three Additional Lanyard Cameras, Spare Glass for Nine Lenses, Spare Parts, and Certain TD's (Technical Directives) - Contract No. BT 1943

1. Contract Number BT 1943 was awarded to ITEK Corporation, Lexington, Mass., on 26 June 1962, pursuant to Letter Contract. This contract (initially for five subsystems) was negotiated at ITEK Corporation in August 1962 with the following persons participating -

FOR THE GOVERNMENT:

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FOR THE CONTRACTOR:

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2. The costs and fee agreed to at that time and the details of negotiation are covered in Memorandum for the Record dated 26 September 1962, issued by Headquarters. On 12 October 1962, a definitized contract was issued by Headquarters.

3. Subsequently, the Government determined that three follow-on Lanyard instruments were necessary and the contractor was authorized to proceed with three additional instruments pursuant to TWX 9231 dated 19 November 1962. The contractor was further authorized to proceed with the procurement of glass for nine additional lenses pursuant to the same TWX. During this time, the contractor was authorized to proceed with the performance of certain additional work covered by Technical Directives issued through the systems engineering contractor, IMSC. Also, pursuant to the terms of the contract, the contractor had proceeded with the furnishing of spare parts, the cost of which, under the terms of the contract, was to be separately negotiated.

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The contractor prepared cost proposals for all of this additional work and on 14 January 1963, a meeting was held in Los Angeles with the following Government representatives in a pre-negotiation conference:

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Technical review of the contractor's proposals had been completed by

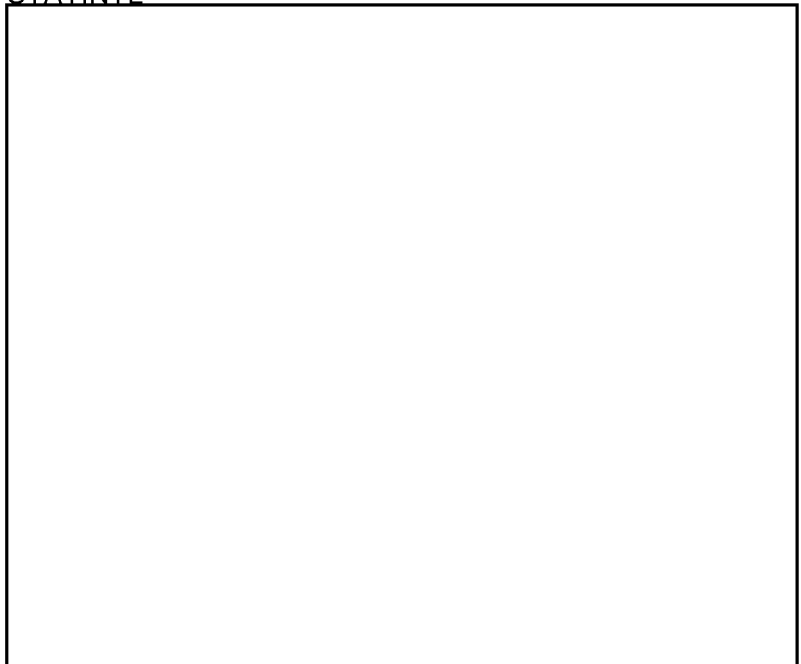
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4. The contractor's proposals consisted of the following:

	<u>COST</u>	<u>FEE</u>	<u>CPIFF</u>
Three additional "L" Instruments	STATINTL		
Spare Parts			
Additional Glass			
TD 1002			
TD 1006A			
TD 1009			
TD 1014			
TD 1005A			
TD 1016			
TD 1020			

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5. On 15 January 1963, negotiations were conducted in Palo Alto with the following present:

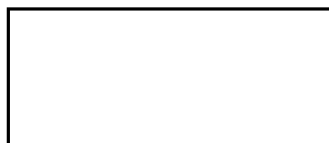
FOR THE GOVERNMENT:

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FOR THE CONTRACTOR:

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The contractor explained the general scope of each proposal following which a detailed analysis was made of each element of the proposal with particular emphasis on the utilization of manpower. The contractor introduced charts and graphs to support the manpower requirements in areas questioned by the Government representatives. It appeared that a reduction in direct hours of about [] was necessary. STATINTL
As a result of this reduction and with a further reduction in proposed overhead bidding rates on certain Technical Directives [] STATINTL
a final CPIF price of [] was arrived at. This compares with the [] proposed by the contractor. After further negotiation and consultation by the ITEK representatives with their home office, the price proposed by the Government was accepted.

6. [] reviewed and evaluated the labor rates, overhead and G&A costs which were considered reasonable. His report is contained in this file.

7. Technical review of the work statement, specifications, and details of costs in connection with the Technical Directives was made by [] and by the Systems Engineering Group at IMSC.

8. The contractor's estimate of material costs, its method of procurement and the amount of materials contemplated for consumption appeared to be reasonable and were accepted.

9. Travel and per diem costs estimated by the contractor were analyzed and considered reasonable. The amount of travel contemplated is necessarily high because of the interface problems with west coast associates and because of the frequency of SE meetings.

10. Contract No. BT 1943 is a CPIF type contract. The first negotiation established the target fee of [] and because of the nature of the three follow-on subsystems and their similarity to the work previously performed on the first five, it was considered appropriate to agree on the same target fee of [] of target costs. STATINTL

[]
Contracting Officer